

**Austin Energy's 2022 Base Rate Case – Comparison of AE's Proposals, the ICA's Proposals, and the IHE's Recommendations**

ITEM	AE's Proposal	ICA's Proposal	IHE's Recommendation
<b>I. REVENUE REQUIREMENT</b>			
Cash Flow Methodology	Proposes use of cash flow method to develop return component of revenue requirement	N/A	Adopted AE's proposed cash flow method with inclusion of depreciation and amortization.
311 Call Center Staffing	Proposes O&M expenses of \$8,372,198 + known & measurable adjustment of \$5,382,525 for a total request of \$13,754,724.	Proposes to reduce AE's known and measurable adjustment for AE Call Center by \$2,880,623; said AE Call Center expense overage is not known and measurable.	Adopted AE's proposal – \$13,754,724.
Uncollectible Expense	Proposes \$5,994,177.	Recommends using AE's three-year average uncollectible amount (FY 2018 – FY 2020) of \$4.574 million.	Adopted AE's proposal – \$5,994,177.
Heavy Equipment Lease	Proposes \$7,421,233.	Proposes an adjustment of (\$7,344,072) based on FY 2022 costs.	Adopted AE's proposal – \$7,421,233.
Non-Nuclear Decommissioning	Proposes \$8 million.	Proposes \$2 million.	Adopted AE's proposal – \$8 million.
Winter Storm Uri and COVID Expenses	Proposes \$6.8 million for labor & benefits, overtime pay, & contract labor for Winter Storm Uri restoration.	Recommends amortizing \$6.8 million over five years and to include only 1/5th of that amount, or \$1.36 million, in test year revenue requirement.	Adopted AE's proposal – \$6.8 million.
Rate Case Expense	Proposes \$1,791,000 to be collected over a three-year period.	Proposes a five-year amortization period instead.	Adopted AE's proposal – Collect \$1,791,000 over three years.
Town Lake Center	Proposes no adjustment because TLC is currently owned by AE.	N/A	Adopted AE's proposal – No adjustment.
Other Expenses (FPP / NAC)	FPP: Proposes to allow costs, FPP is expected to remain in service for foreseeable future & AE's obligations under City's agreement with LCRA continue; NAC: Not included in base rates.	N/A	Adopted AE's proposal – Recommended that FPP costs be included as they are reasonable and necessary; Rejected P. Robbins' proposal on NAC as not ripe.
Internally Generated Funds for Construction	Proposes 50/50 cash & debt funding for IGFFC.	N/A	Adopted AE's proposal – Recommended 50/50 funding for IGFFC.
General Fund Transfer	Proposes \$120 million GFT amount based on known & measurable adjustment to test year GFT to align GFT with proposed base rates that would be in effect for at least five years; outside-city customers pay GFT.	Recommends an adjustment of \$5,002,979 to GFT included in the revenue requirement; AE needs to apply the "grossed up" factor to the GFT to account for "GFT on GFT".	Adopted TIEC's proposal – Recommended GFT be calculated in accordance with Financial Policy No. 13.; recommended GFT be set at \$114-115 million bc AE's proposed adjustment based on future revenues under new rates is too speculative. Adopted AE's proposal – Recommended outside-city customers pay GFT (HURF issue), but highlighted the policy issue for Council.
DSCR and Credit Rating	Proposes use of cash flow method & 2.32x Debt Service Coverage Ratio.	N/A	Adopted AE's proposal – Recommended use of cash flow method and 2.32x Debt Service Coverage Ratio.
Revenue Requirement Offsets: Late Payment Fees	Proposes no adjustment to test year late payment fee amount.	Proposes an upward adjustment of \$2.2 million; excludes FY 2020 & 2021 due to COVID & instead proposes an average of FY 2018 & 2019 to develop late payment fee adjustment.	Adopted AE's proposal – No adjustment.
Other Revenue: Facilities Rentals	Proposes \$1,836,826 to reflect adjustment for pole attachment revenue.	Proposes that no adjustment be made because AE failed to show that disputed bills will not be unrecoverable.	Adopted AE's proposal – \$1,836,826 for facilities rentals.
Pass-Through Items	Proposes no adjustment; all pass-through costs quantified and only base costs were included for recovery through proposed base rates.	N/A	Adopted AE's proposal – No adjustment to cost of service analysis for pass-through costs.
Present Revenues and Billing Determinants	AE used 2021 as the historical test year in preparing its cost of service, including sales & base revenues.	N/A	Rejected all proposals – Recommended AE better explain Winter Storm Uri's impact on test year sales, revenues, & billing determinants.

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<b>II. COST ALLOCATION</b>			
Functionalization: Production, Transmission, and Distribution Functions	Primary business functions are production, transmission, distribution, & customer service; cost assignment by function is either direct assignment or derived allocation.	N/A	Adopted AE's proposal – Functionalized as AE proposed.
Functionalization: Customer Service Function – 311 Call Center	Proposes costs & expenses be functionalized according to customers & costs be allocated to each rate class based on number of customers in class.	N/A	Adopted AE's proposal – Functionalized to customer service.
Functionalization: Customer Service Function – Bad Debt	Proposes uncollectible expenses be functionalized as customer service; uses direct assignment to allocate uncollectible expense (or bad debt) to customer classes.	Proposes that instead of using a direct assignment, AE should use revenue as the basis for the allocation.	Adopted AE's proposal – Functionalized to customer service.
Functionalization: Customer Service Function – Services & Meters	Proposes to functionalize meters & related services as distribution to align with functionalization of costs; AE acknowledges & agrees with ICA's recommendation that new service connection revenues be functionalized to customer, rather than demand.	Recommends fees for electric meter damage, broken seals, after-hours connections, & new service connections be functionalized as customer-service functions; proposes services be functionalized as customer-related.	Adopted AE's proposal – Services functionalized to customer service (AE's rebuttal concession based on ICA recommendation); meters functionalized to customer within distribution function.
Classification: Energy-Related Costs	Proposes production non-fuel O&M expense be classified as demand-related.	Proposes production non-fuel O&M expense classified as energy-related.	Adopted AE's proposal – Production non-fuel O&M expense classified as demand-related.
Classification: Customer-Related Costs	Proposes cost of meters, meter reading, meter maintenance, & billing be classified as customer-related costs; allocated services to customer classes based on sum of maximum demand (SMD).	Recommends fees for electric meter damage, broken seals, after-hours connections, & new service connections be functionalized to customer; allocates services to customer classes based 12 NCP.	Adopted AE's proposal – Recommended that ICA's proposal to increase amount of fees classified as customer-related by \$2.8 million is unnecessary & should be rejected; recommended SMD method to allocate services.
A&G Expense and Indirect Costs	Proposes to functionalize expenses that were not directly assigned to production function based on labor.	Disagrees with AE's classification of A&G expenses related to FERC Account 920 (A&G Salaries), & FERC Account 930 (Miscellaneous General Expenses).	Adopted AE's proposal – AE's classification of FERC Accounts 920 & 930 is reasonable & should be adopted.
Class Allocation	AE attributes functionalized & classified costs to individual customer classes based on cost causation.	N/A	Adopted AE's proposal – Allocation of AE's COS Study should be adopted.
Demand-Related Costs: Production-Demand	Proposes to use ERCOT 12 Coincident Peak (12CP) methodology.	Recommends Baseload-Intermediate-Peak (BIP) methodology.	Adopted AE's proposal – Recommended ERCOT 12CP allocation method.
Demand-Related Costs: Distribution-Demand	Proposes distribution substations, poles, & conductors be allocated using 12NCP allocator; proposes to allocate load dispatch expense to customer classes based on 12NCP demand.	Supports AE's 12NCP allocator; recommends allocating load dispatch expense on basis of average demand.	Adopted AE's proposal – Recommended 12NCP allocation method Adopted ICA's proposal – Recommended average demand allocator for Load Dispatch Expense.
Demand-Related Costs: Primary Substation Issue	Opposes NXP & TIEC's proposal to create a new rate class that allocates primary distribution costs to customers near or adjacent to substations.	Opposes NXP & TIEC's proposal to create a new rate class that allocates primary distribution costs to customers near or adjacent to substations.	Adopted TIEC and NXP's proposals – Recommended that a separate substation rate be developed for Primary Substation customers.
Customer-Related Costs	Proposes that meter expense be allocated using a weighted customer allocator; proposes to allocate FERC Accounts 911-917 on basis of number of customers in each customer class.	Proposes that 51% of meter cost should be allocated based on revenue requirement; recommends an alternative allocation of customer expenses in FERC Accounts 911-917.	Adopted AE's proposal – AE's meter cost allocation and allocation of FERC Accounts 911-917 should be adopted.
Service Area Street Lighting	Proposes no change to collection of street lighting service costs.	N/A	Adopted AE's proposal – No change to collection of street lighting service costs.
Direct Assignments	Proposes direct assignment for uncollectible expense based on proportion occurring within residential & non-residential classes during prior three-year period.	Recommends that AE use revenue as the basis for allocation.	Adopted AE's proposal – Recommended use of direct assignment to allocate costs attributable to a particular customer class.
Energy and Demand Line Loss Factors	Relied on System Loss Study for FY 2018 to adjust normalized energy sales & demands at meter for each customer class to generation level to adjust for the percent energy losses at each applicable voltage level.	N/A	No decision – Recommended AE revisit issue, make accommodation for industrials if possible.

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<b>III. RATE DESIGN</b>			
Residential Rate Design	Proposes to: (1) reduce number of residential rate tiers for inside-city customers from five to three; (2) flatten tiers; (3) increase customer charge; & (4) eliminate base rate differential between inside- & outside-city customers.	Raises concerns that AE's rate design proposal would significantly raise costs for low usage customers, including economically vulnerable customers; proposes rate design with four tiers & fixed charge of \$13.	No decision – Concerned about rate shock; validated that AE must recover its revenue requirement; City Council should direct AE to develop alternatives.
Customer Charge	Proposes to increase customer charge from \$10 to \$25 to reflect fixed customer costs that do not vary with consumption.	Suggests that customer charge should not increase more than proportionate increase of revenue to be collected from residential class & proposes a maximum customer charge of \$13.	No decision – 150% increase may result in rate shock for some; but, AE's concerns re: financial stability are well founded; policy considerations should be observed.
Tiers	Proposes number of tiers be reduced from five to three & tier breakpoints be adjusted downward (Tier 1 from 0 to 300 kWh; Tier 2 from 301 to 1,200 kWh; Tier 3 above 1,200 kWh).	Proposes alternative which includes intermediate four tier design, with tiers at 0-500 kWh, 500-1300 kWh, 1300-2500 kWh, & >2500 kWh; proposes marginal energy cost design that resembles current tier pricing steepness.	No decision – Flattened tiers may result in rate shock for some; tier structure may dampen conservation signals; AE should work with participants to develop new tier structure, or, AE should calculate proposed kWh hour rates for each tier of residential customers.
Outside-City Customers	Proposes to eliminate base rate distinction between inside- & outside-city customers with single rate structure for both.	Recommends leaving the outside city residential tariff unchanged.	Adopted ICA's proposal – Recommended different rates for outside-city customers.
CAP Program Benefits	Base rate design will significantly increase benefits under CAP program; total value of CAP benefits will increase from \$8.3 million to \$14.4 million.	N/A	Recommended AE should expand program or create another targeted program.
PRI-2 High Load Factor Tariff	Proposes new tariff for customers who take service at primary voltage at a load level greater than or equal to 3 MW but less than 20 MW, & whose monthly average load factor during year meets or exceeds 85%.	N/A	Adopted AE's proposal – Proposed tariff should be adopted creating PRI-2 HLF class.
Gradualism	Proposed rate design avoids rate shock.	Overall rate increase of 7.6% is magnified for certain groups of residential customers.	Adopted AE's proposal – AE has presented a reasonable gradualism proposal.
<b>IV. CLASS REVENUE DISTRIBUTION</b>			
	Proposes "halfway to cost" approach where all classes receive system average increase or decrease in step one, & then each class moves halfway toward cost of service in step two.	Proposes alternative two-step approach where step one applies a percentage increase of one-half the system average to customer classes and step two distributes remainder of increase on equal percentage basis to remaining customer classes.	Adopted AE's proposal – Recommended AE's "halfway to cost" approach.
<b>V. VALUE OF SOLAR</b>			
	Proposes (1) breaking down VoS into three pillars of avoided costs, societal benefits, and policy-driven incentives; (2) funding VoS through PSA & EES component of CBC; & (3) using a backward-looking methodology to determine VoS.	N/A	Adopted AE's proposal – VoS to be calculated consistent with AE's proposal; Caveats – AE should (1) evaluate opportunities for stakeholder input and (2) clarify what comprises "rates, methodology, and inputs" to be assessed with VoS tariff.
<b>VI. OTHER ISSUES</b>			
Proposed Power Supply Adjustment Factor Adjustment for Primary Substation Customers	Opposes TIEC's recommendation that proposed PSA be revised to include a separate Primary Substation Adjustment Factor.	N/A	Adopted TIEC and NXP's proposals – Recommended AE work with industrials to develop a Primary Substation rate for distribution service; recommended AE revisit PSA to ensure consistency with IHE's recommendation.
Energy Efficiency Service	Proposes PRI-2 HLF class be exempted from energy efficiency programs & energy efficiency charges.	N/A	Adopted AE's proposal – PRI-2 HLF class exempted from EE programs and charges; mandatory reporting not required.